Gregg M. Galardi Dienna Corrado Arkady A. Goldinstein DLA PIPER LLP (US) 1251 Avenue of the Americas New York, New York 10020 Telephone: (212) 335-4500

Facsimile: (212) 335-4501

Counsel for the Debtors and Debtors in Possession

# UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re:		Chapter 11
dELiA*s, INC., et al.,		Case No. 14-23678 (RDD)
	Debtors. <sup>1</sup>	Jointly Administered

#### NOTICE OF FILING OF AUCTION TRANSCRIPT

**PLEASE TAKE NOTICE** that on December 7, 2014 (the "<u>Petition Date</u>"), the above-captioned debtors and debtors in possession (collectively, the "<u>Debtors</u>") each filed a voluntary petition for relief under Chapter 11 of title 11 of the United States Code (the "<u>Bankruptcy Code</u>") with the United States Bankruptcy Court for the Southern District of New York (the "<u>Bankruptcy Court</u>").

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the *Order (A) Approving Bidding Procedures for the Sale of the Debtors' Distribution Center, Including, Any Furniture, Fixtures and Equipment Located Therein, (B) Approving Procedures for Assumption and Assignment of Executory Contracts, (C) Approving the Form and Manner of Notice, and (D) Scheduling an Auction and a Sale Hearing* [Docket No. 369] (the "Bid Procedures Order"), an auction was held on March 31, 2015 (the "Auction") to determine the highest or otherwise best bid for the Debtors' Distribution Center located in Hanover, PA and any FF&E located therein (as defined in the Bid Procedures Order).

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<sup>&</sup>lt;sup>1</sup> The Debtors in these Chapter 11 cases, together with the last four digits of each Debtor's federal tax identification number, are as follows: dELiA\*s, Inc. (7172); dELiA\*s Distribution Company (9076); A Merchandise, LLC (7639); dELiA\*s Operating Company (3765); dELiA\*s Retail Company (0036); dELiA\*s Group Inc. (4035); AMG Direct, LLC (9236); dELiA\*s Assets Corp. (3754); DACCS, Inc. (0225). The mailing address for the Debtors, solely for purposes of notices and communications, is: 50 West 23rd Street, New York, NY 10010.

### PLEASE TAKE FURTHER NOTICE that a copy of the transcript of the Auction is attached hereto as **Exhibit A**.

Dated: March 31, 2015

New York, New York

/s/ Gregg M. Galardi

Gregg M. Galardi Dienna Corrado

Arkady A. Goldinstein DLA PIPER LLP (US)

1251 Avenue of the Americas New York, New York 10020 Telephone: (212) 335-4500 Facsimile: (212) 335-4501

Counsel for the Debtors and Debtors in

Possession

# **EXHIBIT A**

# **AUCTION TRANSCRIPT**

Page 1

IN RE: d'ELiA\*s Inc.,

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TRANSCRIPT OF AUCTION PROCEEDINGS

TRANSCRIPT of the stenographic notes of the proceedings in the above-entitled matter, as taken by and before TAB PREWETT, a Registered Professional Reporter, a Certified Shorthand Reporter, a Certified LiveNote Reporter, and Notary Public, held at the Offices of DLA PIPER LLP (US), 1251 Avenue of the Americas, New York, New York, on Tuesday, March 31, 2015, commencing at 10:02 a.m.

	Pg :	5 of 11	
	Page 2		Page 4
1		1	d'ELiA*s Auction
2	APPEARANCES:	2	building, which bring us to today's
3 4	DLA PIPER LLP	3	auction.
4	ARKADY A. GOLDINSTEIN, ESQ.	4	Here with me today are Ryan
5	DIENNA CORRADO, ESQ.	5	Schreiber, president of d'ELiA*s;
	Attorneys for the Debtor	6	Dienna Corrado, debtor's counsel of
6		7	DLA Piper; Lee Diercks, of Clear
7 8	Ryan A. Schreiber, Esq., Debtor Matt Matlat, A&G Realty Partners	8	Thinking Group. Anybody else wish to
9	Lee Diercks, Clear Thinking Group, LLC	9	be recognized.
10	John Ventola, Esq.	10	MR. FEDER: Yes, Benjamin Feder
	Choate, Hall & Stewart, LLP	11	on behalf of the official committee of
11 12	Representing Salus Andrew Prunier, Salus Capital	12	unsecured creditors.
13	David Gelfus, Capstone	13	MR. VENTOLA: John Ventola of
	Creditors Committee	14	Choate, Hall & Stewart, representing
14		15	Salus Capital.
15	Benjamin Feder, Creditors Committee	16	MR. PRUNIER: Andrew Prunier
16	Present Telephonically:	17	from Salus Capital.
17	11000 in 1010 promount.	18	MR. MATLAT: This auction is to
18		19	determine the highest and best offer
1.0	Seth D. Mennillo, Esq.	20	and the second best and highest offer
19 20	Choate, Hall & Stewart, LLP John Coles, Esq.	21	as the designated back-up bidder.
21	BIDDERS:	22	We have a court reporter
22	Allen M. Smith, Conewago	23	transcribing these proceedings. So
23	Kurt E. Dietrich, Hanover Logistics	24	please speak clearly and identify
24 25		25	yourself when bidding.
	Page 3		Page 5
1		1	
	d'ELiA*s Auction	1	d'ELiA*s Auction
2	PROCEEDINGS	2	Bidding will take place as
3	MR. MATLAT: Okay. We are	3	follows. The opening bid will be
4	going to go on the record now. Good	4	announced as well as the current
5	morning, my name is Mike Matlat,	5	highest and best offer. We will be
6	senior managing director of A&G Realty	6 7	proceeding with \$25,000 increments
7	Partners. A&G was retained by the		until further notice. Everyone should
8	debtor as their real estate consultant	8	have received a copy of the bid
9	pursuant to the bankruptcy court order	9	procedures, submitted their bids in
10	entered on January 26, 2015, to market	10	accordance with the bid procedures,
11 12	and, if necessary, auction the d'ELiA*s	11 12	and will hereby be bound by the bid
	warehouse distribution center located	1	procedures.
13	at 348 to 350 Poplar Avenue, Hanover,	13 14	Are there any questions?
14	Pennsylvania.	14   15	The auction will take place in
15	The consultants publicized the	15	a deliberate fashion. The debtor,
16	sale of the property by E-Mail,	16	with the assistance of counsel, and
17	broadcast to prospects, loop net	I	the lender may call for a break at any
18	listing, placed signage on the	18	time to consider the status of offers.
19 20	property, advertised in the Baltimore	19 20	The auction is not over until I
	Sun, Philadelphia Inquirer, and the	1	announce that it is over and announce
21	Hanover Evening Sun.	21	the first highest and best and the
22	The consultants have been	22	second highest and best bids as well
23	contacted by approximately 20	23	as the back-up bidder, who will be
24	prospects, and, as a result, have	24	designated should the number one party
25	received two qualified bids for the	25	falter.

		6 of 11	03/31/15 17:19:33 Main Document
	Page 6	1	Page 8
1	d'ELiA*s Auction	1	d'ELiA*s Auction
2	Do not leave or hang up until	2	Ventola on behalf of Salus.
3	the end of the auction. Bidders may	3	If I could also ask that, if
4	request a break at any time to make a	4	there is going to be any other change
5	phone call or otherwise consider the	5	in the bid beyond the dollars, timing,
6	status of their bids. Each bidder	6	conditions, or anything, please ask
7	will be allowed two five-minute breaks	7	that the bidder state that on the
8	during the course of the auction.	8	record. Otherwise, I think we will
9	You are reminded that it is a	9	all assume that there are no other
10	federal crime to engage in collusive	10	changes, again, other than the
11	bidding or to chill the bidding.	11	numbers.
12	I spoke to both parties before	12	MR. MATLAT: Okay. Did
13	the auction, and Conewago was our	13	everybody hear that?
14	initial bid that we went to court with	14	MR. SMITH: Yes.
15	at \$3,676,500. Their offer was for	15	MR. DIETRICH: Yes.
16	the building alone without the FF&E.	16	MR. MATLAT: And I think
17	Subsequently, the debtor	17	just for the record, I think both
18	received a bid from Hilco for	18	parties, we can have them agree they
19	\$150,000, which would bring the	19	are prepared to close either April 2nd
20	initial bid of Conewago and Hilco to	20	or April 3rd, as soon as the court
21	\$3,826,500.	21	enters the order.
22	Conewago has agreed to take the	22	MR. VENTOLA: And, again, John
23	place of the debtor with the agency	23	Ventola, if the bidders would confirm
24	agreement dealing with Hilco and the	24	that, that would be that would be
25	sale of the FF&E. So I just want to	25	very helpful.
	Page 7		Page 9
1	d'ELiA*s Auction	1	
1 2		1 2	d'ELiA*s Auction MR. MATLAT: Allen Smith from
3	clarify that on the record, that	3	
4	Conewago is now going to be bidding for the building and the FF&E.	4	Conewago, can you please confirm.  MR. SMITH: Yes.
5	Can you please confirm that,	5	MR. MATLAT: Kurt Dietrich,
6	Allen?	6	from Hanover Logistics, can you
7	MR. SMITH: That is correct.	7	confirm?
8	MR. MATLAT: So with a purchase	8	MR. DIETRICH: Yes.
9	price of 3,826,500, we subsequently	9	MR. VENTOLA: Thank you very
10	received a bid from Hanover Logistics	10	much, everybody.
11	for \$25,000 more, in the amount of	11	MR. MATLAT: Okay. Allen
12	\$3,851,500. And that is for the	12	Smith, the bid is to you, Conewago.
13	building and the FF&E. So, now, we	13	MR. SMITH: We will increase
14	are going apples to apples.	14	our bid to 3,876,500, the increase of
15	Each party's bid will be for	15	25,000.
16	the building and the FF&E. The high	16	MR. MATLAT: Mr. Dietrich.
17	bid right now is from Hanover	17	MR. DIETRICH: We will increase
18	Logistics, and it's for \$3,851,500.	18	it for 25,000.
19	The next increment would be to	19	MR. MATLAT: If somebody wants
20	Conewago. While we have a minimum bid	20	to make a move to a nice round number,
21	of \$25,000, Allen, if you wish to send	21	how about three million nine?
22	a message with something bigger, there	22	MR. DIETRICH: We are already
23	is no limit on how high your increment	23	there.
24	can be.	24	MR. MATLAT: Have you got a
25	MR. VENTOLA: This is John	25	nice round number, Kurt, just to help
	IVIIX. V LIVI OLA. I III 5 IS JUIIII	1 L J	mee round number, Kurt, just to help

3 (Pages 6 to 9)

d'ELiA*s Auction    Comparison of the auction   1   Cilia*s Auction		Pa '	7 of 11	
2   everybody out with the math here? We   3   have a lot of attorneys in there, not   4   accountants.   4   accountants.   4   with the results of the auction and   4   with the results of the auction and   with successful bid.   MR. MATLAT: No kay. In a bings   land on behalf of the committee with the debtor's decision to clase a break to consider the status of offers.   All of the auction and   with successful bid.   MR. MATLAT: No kay. In a bings   land on behalf of the commit		Page 10		Page 12
2   everybody out with the math here? We have a lot of attorneys in there, not a confirm that they are in agreement with the results of the auction and the debtor's decision to choose hance even, is that what you are saying? 7   7   8   MR. MATLAT: That wouldn't do it. 9   7   7   7   7   7   7   7   7   7	1	d'ELiA*s Auction	1	d'ELiA*s Auction
have a lof of attorneys in there, not accountants.  MR. DIETRICH: Three million 5 the debtor's decision to choose 6 nine even, is that what you are saying? 7 7 8 MR. VENTOLA: This is John 10 MR. DIETRICH: Okay. 10 Wentola on behalf of Salus. The bid, the amount of the bid is acceptable to 11 Salus. I would just like to confirm 12 MR. MATLAT: Give me 3,950,000. 11 Salus. I would just like to confirm 12 MR. MATLAT: Give me 3,950,000. 11 Salus. I would just like to confirm 12 MR. DIETRICH: Okay. 12 there are no changes to the P and S that's going to be requested by the bidder or anybody else. 15 bid from Kurt Dietrich of Hanover 15 bid from Kurt Dietrich of Hanover 16 MR. VENTOLA: Well, with that and subject to seeing any revisions to 17 MR. VENTOLA: Well, with that 18 MR. SMITH: No, we are not 18 interested in going any higher than 19 take a break to consider? 12 MR. MATLAT: Are you sure? 14 MR. MATLAT: Are you sure? 15 MR. MATLAT: Are you sure? 15 MR. MATLAT: Are you sure? 16 MR. MATLAT: Okay. I am going 17 to ask Salus and the committee if the 4 debtor wants to take a break to 16 consider the status of offers. 10 MR. MATLAT: Debtor is going to take a break to consider the status of offers. 11 MR. MATLAT: Debtor is going to 16 take a break to consider the status of offers. 12 MR. MATLAT: Debtor is going to 18 MR. MATLAT: Debtor is going to 19 take a break to consider the status of offers. 10 MR. MATLAT: Debtor is going to 19 take a break to consider the status of offers. 10 MR. MATLAT: Debtor is going to 10 offers. 11 Chere was a discussion off the 12 Chere was a discussion off			2	
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11 MR. MATLAT: Give me 3,950,000. 12 MR. DIETRICH: Okay. 13 MR. FEDER: Whose bid is that? 14 MR. MATLAT: 3,950,000 is the 15 bid from Kurt Dietrich of Hanover 15 bid from Kurt Dietrich of Hanover 16 Logistics. 17 To you now, Allen. 18 MR. SMITH: No, we are not 19 interested in going any higher than 19 interested in going any higher than 20 that. 21 MR. MATLAT: Do you want to 22 take a break to consider? 23 MR. SMITH: No. 24 MR. SMITH: No. 25 MR. SMITH: We are certain. 26 MR. SMITH: We are certain. 27 Page 28 MR. SMITH: We are certain. 29 MR. SMITH: We are cortain. 20 MR. MATLAT: Okay. I am going 3 to ask Salus and the committee if the 4 debtor wants to take a break to 5 MR. VENTOLA: Yes, I think that 6 MR. VENTOLA: Yes, I think that 7 would be helpful. 8 MR. MATLAT: Debtor is going to 10 offers. 11 (There was a discussion off the record.) 12 record.) 13 MR. MATLAT: Okay. We are 14 MR. MATLAT: Debtor displayed and to close after the hearing on 15 MR. MATLAT: Okay. We are 16 MR. MATLAT: Okay. We are 17 MR. Would just like to confirm the that's that's going to be requested by the bid delay that that's going to be requested by the bidder or anybody else. 16 MR. METLAT: No changes? 18 MR. METLAT: No changes? 19 MR. METLAT: No changes? 10 MR. METLAT: Obyou want to 18 MR. MATLAT: Debtor is going to 19 MR. MATLAT: Okay. Me are 10 offers. 11 (There was a discussion off the requested by the bidder or anybody else. 11 MR. MATLAT: Okay. We are 12 to close after the hearing on 14 threa are no changes to the P and S 15 that's going to be requested by the bidder or anybody else. 18 MR. MATLAT: No changes? 19 MR. MATLAT: Debtor is going to the sale or anybody else. 19 MR. MATLAT: Debtor is going to the sale or anybody else. 11 MR. MATLAT: Okay. Me are 12 that that's going to be requested by the bidder or anybody else. 15 MR. MATLAT: Debtor is going to the sale or anybody else. 18 MR. MATLAT: Debtor is going to the sale or anybody else. 19 MR. MATLAT: Debtor is going to the sale or anybody else. 18 MR. MATLAT: Debtor is going t				
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going back on the record. 14 MR. DIETRICH: As early as	14	going back on the record.	14	
The debtor, after consultation 15 possible that afternoon or first thing	15		15	•
with counsel, the lenders, and their 16 the next morning, whenever everybody	16		16	
financial advisors, are prepared to 17 gets their act together.	17		17	• •
accept the first highest and best bid  18 MR. MATLAT: Okay. Thank you	18	* *	18	
19 from Hanover Logistics of \$3,950,000. 19 very much.	19		19	
20 Conewago will be announced on the 20 (The auction concluded at			20	· ·
record as the designated second 21 10:16 a.m.)	21		21	· ·
highest and best bid as the back-up 22	22		22	
bidder should Hanover Logistics not be 23			23	
24 able to close. 24				
	25	I would like the Salus, the	25	

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	Page 14		
1 CERTIFICATE 3 I, TAB PREWETT, A Registered Professional Reporter, Notary Public, 5 Certified LiveNote Reporter, and Certified Shorthand Reporter, do hereby certify that the foregoing is a true and accurate transcript of the proceedings as taken 7 stenographically by and before me at the time, place and on the date hereinbefore set forth. 9 I DO FURTHER CERTIFY that I ameither a relative nor employee nor 11 attorney nor counsel of any of the parties to this action, and that I am neither a relative nor employee of such attorney or counsel, and that I am not financially interested in the action. 14			

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	<b>back</b> 11:14	certificate 14:2	current 5:4	estate 3:8
A	backup 4:21 5:23	certified 1:18,19	Current 3.4	evening 3:21
able 11:24	11:22	14:5,5		everybody 8:13
aboveentitled 1:16	baltimore 3:19	certify 14:5,10	<b>d</b> 2:18 3:2	9:10 10:2 13:5,16
accept 11:18	bankruptcy 3:9	change 8:4	date 14:7	exercise 12:24
acceptable 12:10	behalf 4:11 8:2	changes 8:10 12:12	<b>dated</b> 14:19	expires 14:19
12:19	12:9,22	12:15	david 2:13	expires 14.19
accountants 10:4	benjamin 2:15 4:10	chill 6:11	day 13:6	$\overline{\mathbf{F}}$
accurate 14:6	12:21	<b>chin</b> 6.11 <b>choate</b> 2:10,19 4:14	dealing 6:24	falter 5:25
act 13:17	best 4:19,20 5:5,21	choose 12:5	<b>debtor</b> 2:5,7 3:8	fashion 5:15
action 14:11,13	5:22 11:18,22	clarify 7:2	5:15 6:17,23 11:4	february 14:19
advertised 3:19	13:2	clear 2:9 4:7	11:8,15	feder 2:15 4:10,10
advisors 11:17	beyond 8:5	clearly 4:24	<b>debtors</b> 4:6 12:5,23	10:13 12:21,21
afternoon 13:15	<b>bid</b> 5:3,8,10,11	close 8:19 11:24	<b>decision</b> 12:5	federal 6:10
agency 6:23	6:14,18,20 7:10	13:4,12	delia 1:3 3:1,11 4:1	<b>ff</b> 6:16,25 7:4,13,16
agree 8:18 12:22	7:15,17,20 8:5	closing 13:10	4:5 5:1 6:1 7:1	financial 11:17
agreed 6:22	9:12,14 10:13,15	coles 2:20 13:8	8:1 9:1 10:1 11:1	financially 14:12
agreement 6:24			12:1 13:1	first 5:21 11:18
12:3	11:18,22 12:7,9	collusive 6:10	deliberate 5:15	13:15
<b>allen</b> 2:22 7:6,21	12:10,19,25	commencing 1:23 commission 14:19	designated 4:21	fiveminute 6:7
9:2,11 10:17	<b>bidder</b> 4:21 5:23		5:24 11:21	follows 5:3
allowed 6:7	6:6 8:7 11:23	committee 2:13,15	determination	foregoing 14:6
americas 1:22	12:14	4:11 11:3 12:2,22	12:23	forth 14:8
<b>amount</b> 7:11 12:10	<b>bidders</b> 2:21 6:3	concluded 13:20	<b>determine</b> 4:19	further 5:7 14:10
<b>andrew</b> 2:12 4:16	8:23	conditions 8:6	dienna 2:5 4:6 13:7	101 tile1 3.7 14.10
<b>announce</b> 5:20,20	<b>bidding</b> 4:25 5:2	conewago 2:22	diercks 2:9 4:7	G
announced 5:4	6:11,11 7:3	6:13,20,22 7:3,20	dietrich 2:23 8:15	<b>g</b> 2:8 3:2,6,7
11:20	bids 3:25 5:9,22 6:6	9:3,12 11:20		gelfus 2:13
anticipate 13:11	bigger 7:22	confirm 7:5 8:23	9:5,8,16,17,22	give 10:11
<b>anybody</b> 4:8 12:14	<b>bound</b> 5:11	9:3,7 12:3,11	10:5,10,12,15	go 3:4
apples 7:14,14	break 5:17 6:4	<b>consider</b> 5:18 6:5	12:16 13:9,14	going 3:4 7:3,14
approximately	10:22 11:4,9	10:22 11:5,9	director 3:6	8:4 10:19 11:2,8
3:23	breaks 6:7	consultant 3:8	discussion 11:11	11:14 12:13
april 8:19,20 13:13	<b>bring</b> 4:2 6:19	consultants 3:15,22	distribution 3:12	goldinstein 2:4
arkady 2:4	brings 13:3	consultation 11:15	dla 1:21 2:4 4:7	good 3:4 13:6
assistance 5:16	broadcast 3:17	contacted 3:23	dollars 8:5	group 2:9 4:8
assume 8:9	<b>building</b> 4:2 6:16	<b>copy</b> 5:8	$oldsymbol{\mathbb{E}}$	group 2.9 4.6
attorney 13:9	7:4,13,16	<b>corrado</b> 2:5 4:6	e 2:2,2,23 3:2,2	H
14:11,12	business 12:24	13:7	6:16,25 7:4,13,16	hall 2:10,19 4:14
attorneys 2:5 10:3		correct 7:7		hang 6:2
<b>auction</b> 1:10 3:1,11	<u>C</u>	<b>counsel</b> 4:6 5:16	early 13:14	hanover 2:23 3:13
4:1,3,18 5:1,14,19	c 2:2 3:2	11:16 14:11,12	either 8:19 email 3:16	3:21 7:10,17 9:6
6:1,3,8,13 7:1 8:1	call 5:17 6:5	course 6:8		10:15 11:19,23
9:1 10:1 11:1	capital 2:12 4:15	<b>court</b> 3:9 4:22 6:14	<b>employee</b> 14:10,12	12:6,25
12:1,4 13:1,4,20	4:17	8:20	engage 6:10	hear 8:13
avenue 1:21 3:13	capstone 2:13	creditors 2:13,15	entered 3:10	hearing 13:12
	center 3:12	4:12	enters 8:21	held 1:20
B	certain 10:25	<b>crime</b> 6:10	esq 2:4,5,7,10,18	help 9:25
			2:20	ncip 7.43

Page	16
Faye	

	1	I		
<b>helpful</b> 8:25 11:7	<b>m</b> 1:24 2:22 13:21	opening 5:3	R	seth 2:18
hereinbefore 14:7	managing 3:6	<b>order</b> 3:9 8:21	r 2:2 3:2	shorthand 1:19
<b>high</b> 7:16,23	march 1:23 14:19	12:19	real 3:8	14:5
<b>higher</b> 10:19	market 3:10		realty 2:8 3:6	signage 3:18
<b>highest</b> 4:19,20 5:5	<b>math</b> 10:2	<u>P</u>	reasonable 12:24	<b>smith</b> 2:22 7:7 8:14
5:21,22 11:18,22	matlat 2:8 3:3,5	<b>p</b> 2:2,2 3:2 12:12	received 3:25 5:8	9:2,4,12,13 10:18
13:2	4:18 7:8 8:12,16	participating 13:5	6:18 7:10	10:23,25
hilco 6:18,20,24	9:2,5,11,16,19,24	parties 6:12 8:18	recognized 4:9	somebody 9:19
	10:8,11,14,21,24	14:11	record 3:4 7:2 8:8	soon 8:20
<u> </u>	11:2,8,13 12:15	partners 2:8 3:7	8:17 11:12,14,21	speak 4:24
identify 4:24	13:3,18	party 5:24	regarding 13:8,10	<b>spoke</b> 6:12
increase 9:13,14,17	matt 2:8	partys 7:15	registered 1:17	state 8:7
increment 7:19,23	matter 1:16	pennsylvania 3:14	14:4	<b>status</b> 5:18 6:6 11:5
increments 5:6	mean 13:8	philadelphia 3:20	relative 14:10,12	11:9
<b>initial</b> 6:14,20	mennillo 2:18	phone 6:5	reminded 6:9	stenographic 1:14
inquirer 3:20	message 7:22	<b>piper</b> 1:21 2:4 4:7	reporter 1:18,19,20	stenographically
interested 10:19	mike 3:5	<b>place</b> 5:2,14 6:23	4:22 14:4,5,5	14:7
14:13	<b>million</b> 9:21 10:5	14:7	representing 2:11	stewart 2:10,19
	minimum 7:20	placed 3:18	4:14	4:14
<u>J</u>	<b>morning</b> 3:5 13:16	<b>please</b> 4:24 7:5 8:6	request 6:4	subject 12:18
january 3:10	move 9:20	9:3 12:2	requested 12:13	submitted 5:9
<b>john</b> 2:10,20 4:13		poplar 3:13	result 3:24	subsequently 6:17
7:25 8:22 12:8	N	possible 13:15	results 12:4	7:9
13:8	<b>n</b> 2:2 3:2	prepared 8:19	retained 3:7	successful 12:7
judgment 12:25	name 3:5	11:17	revisions 12:18	sun 3:20,21
K	necessary 3:11	present 2:16	right 7:17	sure 10:24
	<b>neither</b> 14:10,11	president 4:5	round 9:20,25	
kurt 2:23 9:5,25	<b>net</b> 3:17	<b>prewett</b> 1:17 14:4	ryan 2:7 4:4	T
10:15 13:9,11	new 1:22,22	price 7:9	1 yan 2.7 +.+	tab 1:17 14:4
L	nice 9:20,25	procedures 5:9,10	S	take 5:2,14 6:22
leave 6:2	nine 9:21 10:6	5:12	s 1:3 2:2 3:1,2,11	10:22 11:4,9
	<b>notary</b> 1:20 14:4,17	proceeding 5:6	4:1,5 5:1 6:1 7:1	taken 1:16 14:6
lee 2:9 4:7	<b>notes</b> 1:15	proceedings 1:10	8:1 9:1 10:1 11:1	telephonically 2:16
lender 5:17 12:2	notice 5:7	1:15 4:23 14:6	12:1,12 13:1	thank 9:9 13:4,18
lenders 11:16	number 5:24 9:20	professional 1:18	sale 3:16 6:25	thats 12:13
limit 7:23	9:25	14:4	12:19	thing 13:15
listing 3:18	numbers 8:11	<b>property</b> 3:16,19	salus 2:11,12 4:15	think 8:8,16,17
livenote 1:19 14:5		prospects 3:17,24	4:17 8:2 11:3,25	11:6
llc 2:9	0	<b>prunier</b> 2:12 4:16	12:9,11,20	thinking 2:9 4:8
<b>llp</b> 1:21 2:4,10,19	o 3:2	4:16	saying 10:7	three 9:21 10:5
located 3:12	offer 4:19,20 5:5	<b>public</b> 1:20 14:4,17	schreiber 2:7 4:5	thursday 13:13
logistics 2:23 7:10	6:15	publicized 3:15	second 4:20 5:22	time 5:18 6:4 14:7
7:18 9:6 10:16	offers 5:18 11:5,10	purchase 7:8	11:21	timing 8:5
11:19,23 12:6	offices 1:21	pursuant 3:9	seeing 12:18	today 4:4
loop 3:17	official 4:11		seeing 12.18 send 7:21	todays 4:2
<b>lot</b> 10:3	okay 3:3 8:12 9:11	Q	senior 3:6	touch 13:7
	10:10,12 11:2,13	qualified 3:25	set 14:8	transcribing 4:23
171	13:3,18	questions 5:13	SCL 14.0	
	<u> </u>	<u> </u>	<u> </u>	

			Page 17
transcript 1:10,14 14:6 true 14:6 trying 13:11 tuesday 1:23 two 3:25 6:7	25 5:6 7:11,21 9:15 9:18 26 3:10 2nd 8:19 13:13 3 6:15,21 7:9,12,18		Page 17
U unsecured 4:12 V ventola 2:10 4:13	9:14 10:11,14 11:19 12:6 13:2 <b>31</b> 1:23 14:19 <b>348</b> 3:13 <b>350</b> 3:13		
4:13 7:25 8:2,22 8:23 9:9 11:6 12:8,9,17 W want 6:25 10:21	3rd 8:20 4 5 500 6:15,21 7:9,12		
wants 9:19 11:4 warehouse 3:12 went 6:14 wish 4:8 7:21 wouldnt 10:8	7:18 9:14  6 676 6:15 7		
X Y york 1:22,22 Z	8 826 6:21 7:9 851 7:12,18 876 9:14		
0 000 5:6 6:19 7:11 7:21 9:15,18 10:11,14 11:19 12:6 13:2 02 1:24	9 9 14:19 950 10:11,14 11:19 12:6 13:2		
1 10 1:24 13:21 1251 1:21 150 6:19 16 13:21			
20 3:23 2015 1:23 3:10 14:19 2019 14:19			